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He who runs

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Mr. Wildman gave a talk before the general council of The National Information Bureau, Inc., at the Waldorf-Astoria in New York, on Saturday, December 10, entitled "Sensible Accounting for Social Agencies."

Mr. Wildman also met a group of Philadelphia bankers at the Union League Club in Philadelphia, on Tuesday, December 13, and discussed with them from the accountant's viewpoint a paper read by Mr. Freas B. Snyder, research director, Robert Morris Associates, before the New England Regional Meeting, American Institute of Accountants, at Providence, R. I., June 28, 1921, on "The Accountant's Ultimate Consumer." Mr. Snyder takes the position that the banker is the accountant's ultimate consumer in certain types of engagement and that consequently the accountant's efforts should be directed toward the preparation of financial statements which will meet the views and answer the purposes of the bankers.

He Who Runs

THERE are few who dispute the fact of mental telepathy. Proofs are abundant that two persons whose mental apparatus is properly attuned may transmit thought from one to the other. There are no definite rules governing the process. It cannot be accomplished voluntarily. But that it takes place many persons may be found who will so testify.

Mental telepathy might be used to good advantage, if it could be controlled, in establishing the connection between the work of two sets of men, one following the other, on the repetition of an engagement for the same client. How gratifying it would be if an accountant upon taking up the audit of a certain client might communicate with his predecessor and receive by means of a mental connection all the details gleaned from the latter's contact with the engagement.

Under such an arrangement there would be no occasion for the client to make a request that the same accountant be assigned to the engagement—which clients frequently do for various reasons but the outstanding of which is the fact that one who is familiar with the details takes less time for the work on a repeat engagement and asks fewer questions. All such angles would under a perfect system of mental telepathy be rounded off, and there would remain practically only the one of personal preference.

Much of the difficulty which thought transmission would remove might be overcome in the meantime if more attention were to be given to making notations in working papers. Too much is left to be taken for granted. Too much is left to the imagination and some good accountants are so built that they have no imagination. On the other hand, so much time is sometimes given to the preparation of working papers that even accountants with the most vivid imagination cannot conceive of any possible use for certain of the papers which result therefrom.

Less pencil pushing and filling up of reams of paper with useless and time-consuming figures, with more short, snappy memoranda would be more to the point. The working paper which causes the reader to waste fifteen minutes wondering what it means, why it was made, and whether or not it is necessary in the present instance, is cumulative in its wastefulness. It wastes the time not only of the accountant who prepared it but of those who later come in contact with it.

The copying of sheets containing the details of inventories is wasteful. Much more would be accomplished, and the process would be much more efficient, if, instead, a note were to be left in the papers describing the work incident to the verification of the inventory, namely, that it was priced at cost or market, whichever was lower; that it contained no obsolete or unsalable material; that liabilities were included for all goods in the inventory; that observation of the cost system and the methods employed in ascertaining costs showed the operation to be effective and the results sound as a basis for pricing goods in process and finished goods; that the extensions of the larger and more important items were checked, and the footings scanned as to general results, etc.

In short, more care should be given to making notes and cross references and extracting papers which, when passed forward from time to time, will leave a clear trail, but the trail will not be clear unless something is left in the place made vacant to show what was taken out. Mental telepathy may be an effective instrument of tomorrow. Today's ideal method is the more tangible one of engraved record so that he who runs may read.

Non-Par Value Stock from an Accounting Point of View

(Continued)

EXPERIENCE in dealing with questions relating to stock without par value demonstrates the necessity of ascertaining the state in which the corporation is chartered and consulting the law of such state before attempting to give an answer to any question. Procedure which is entirely proper and legal in one state may be just the reverse in another. What may seem possible under one section of a given law may be proscribed by another.

A corporation organized under the laws of the state of Delaware and having only common stock without par value sold all of its stock except that issued for property at $20 a share, less certain commissions to the syndicate managers. Because the certificate of incorporation stipulated that no stock should be sold at less than $10 a share, the official in charge of the accounting caused $10 per share to be credited to the common capital account while the balance was credited to a capital surplus account.

The question which arose in this case at a later date was whether or not the corporation might pay a dividend out of the capital surplus, or out of the earned surplus to which the capital surplus had first been transferred.

At first glance it might appear entirely possible, without coming into conflict with the law, to use any surplus for purposes of dividends. The Delaware law places no restriction on the amount of capital. There is no statement required as to the amount of capital with which the corporation will carry on business. The Delaware law is extremely liberal as to corporations having shares without par value. About the only restriction imposed is that the corporation may not commence business with less than ten shares.

But the law does say that "the directors . . . shall have power after reserving over and above its capital stock paid in, such sum, if any, as shall have been fixed by the stockholders, to declare a dividend among its stockholders of the whole of its accumulated profits, in excess of the amount, so reserved, and pay the same to such stockholders on demand; provided, that the corporation may, in its certificate of incorporation, or in its by-laws, give the directors power to fix the amount to be reserved."